

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

The Groves, located at 30333 Camino Capistrano in San Juan Capistrano, requested and is being recommended for a reservation of \$1,215,019 in annual federal tax credits and \$2,843,934 in annual state tax credits to finance the new construction of 74 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by C&C Development Co., LCC and will be located in Senate District 36 and Assembly District 73.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the SNHP through CalHFA.

Project Number CA-20-572

Project Name The Groves
Site Address: 30333 Camino Capistrano
San Juan Capistrano, CA 92675 County: Orange
Census Tract: 423.12

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,215,019	\$2,843,934
Recommended:	\$1,215,019	\$2,843,934

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: SJC Groves, LP
Contact: Todd Cottle
Address: 14211 Yorba Street, Suite 200
Tustin, CA 92780
Phone: (714) 288-7600
Email: todd@c-cdev.com

General Partner(s) or Principal Owner(s): SJC Groves CCR, LLC
RCC MGP LLC

General Partner Type: Joint Venture

Parent Company(ies): C&C Development Co., LLC
Riverside Charitable Corporation

Developer: C&C Development Co., LLC

Investor/Consultant: National Equity Fund Inc.

Management Agent: Advanced Property Services Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 75
 No. / % of Low Income Units: 74 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (8 Units - 10%)

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: July 5, 2020

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
30% AMI: 10	14%
50% AMI: 12	16%
60% AMI: 52	70%

Unit Mix

60 1-Bedroom Units
14 2-Bedroom Units
1 3-Bedroom Units
75 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8 1 Bedroom	30%	13%	\$280
10 1 Bedroom	50%	50%	\$1,113
2 2 Bedrooms	50%	50%	\$1,336
40 1 Bedroom	60%	60%	\$1,335
12 2 Bedrooms	60%	60%	\$1,603
2 1 Bedroom	30%	13%	\$280
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,258,511
Construction Costs	\$17,289,661
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,234,506
Soft Cost Contingency	\$330,000
Relocation	\$0
Architectural/Engineering	\$1,165,000
Const. Interest, Perm. Financing	\$2,163,619
Legal Fees	\$125,000
Reserves	\$334,500
Other Costs	\$3,441,411
Developer Fee	\$3,762,598
Commercial Costs	\$0
Total	\$34,104,806

Residential

Construction Cost Per Square Foot:	\$280
Per Unit Cost:	\$454,731
True Cash Per Unit Cost*:	\$388,497

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$18,000,000
City of San Juan Captistrano	\$4,800,000
CalHFA	\$1,294,511
Seller Carryback Loan	\$4,100,000
Deferred Costs	\$389,840
Deferred Developer Fee	\$2,117,525
General Partner Equity	\$100
Tax Credit Equity	\$3,402,830

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bank of America (Tranche A)	\$7,475,180
Bank of America (Tranche B)	\$1,385,940
City of San Juan Captistrano	\$4,800,000
CalHFA	\$1,574,810
Seller Carryback Loan	\$4,100,000
Deferred Developer Fee	\$867,525
General Partner Equity	\$395,173
Tax Credit Equity	\$13,506,178
TOTAL	\$34,104,806

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$28,846,594
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$37,500,572
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,215,019
Total State Credit:	\$2,843,934
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,762,598
Investor/Consultant:	National Equity Fund Inc.
Federal Tax Credit Factor:	\$0.92435
State Tax Credit Factor:	\$0.80000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$28,846,594
Actual Eligible Basis:	\$28,846,594
Unadjusted Threshold Basis Limit:	\$23,615,276
Total Adjusted Threshold Basis Limit:	\$36,313,613

Adjustments to Basis Limit

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 16%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 29%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.24% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

Ten units will receive rental assistance. In addition to the eight HUD vouchers, two units will receive an operating subsidy (COSR) from CalHFA.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.